

emPower 3.0



Strategic Plan

Progress and Next Steps

May 31, 2013

Prepared for:

The Santa Barbara County Board of Supervisors

Prepared by:

Santa Barbara County emPower Team



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Summary

This report serves as both a progress update and a proposed implementation plan for the future of emPower, the County's innovative clean energy and building efficiency program. It is intended to help the Santa Barbara County Board of Supervisors consider recommendations for the next phase for the program, described within as emPower3.0.

First, the report provides a review of emPower's evolution over time and progress to date. It briefly describes the program's background in the context of related State and federal policies. This timeline demonstrates how initial external funding, expiring this August 2013, was invested to develop robust program infrastructure designed to help property owners complete energy improvements, thereby generating substantial outcomes for the local environment and economy. This infrastructure, detailed in Section 2, includes a broad range of start-up services that support the development of a local building performance market, including workforce development and training, community outreach, homeowner education, financing, rebates, and expert energy advising.

These services have generated important early outcomes and lessons after the program's first 18 months in service. Since program launch in late 2011, emPower activities have already attracted 3,000 interested individuals to engage with program services, leading to energy efficiency work in approximately 202 homes as of May 2013. These home energy projects have resulted in approximately \$1.7 million in project activity reported by participating contractors, and nearly \$600,000 in loan applications for participating lenders. Along with increasing consumer demand and project income for 23 participating contracting companies, emPower has generated other lasting positive impacts for the local contracting market. For example, the program has provided workforce training for over 400 attendees from the local building trades, struggling with underemployment in recent years, resulting in a 700% increase in the number of professionals certified to conduct building performance assessments and retrofits within the County. With access to an energy efficiency tool lending library and ongoing mentorship available through emPower's Energy Coach, these professionals are now using building performance principles in new construction and general remodels, along with typical energy retrofits, and are sharing best practices and ideas through emPower's growing Contractor Input Committee. In addition, the County's innovative program design has earned statewide recognition and distinction, which has led to over \$5 million in additional funding offers from State agencies to sustain and expand the valuable program infrastructure for years to come.

Santa Barbara County is now poised to build upon emPower's unique and valuable assets. The County's investment of grant funding and staff time was used to build a lasting and effective program infrastructure, train contractors and create program awareness through aggressive marketing and outreach activities. However, with initial grants expiring in mid-August 2013, emPower services are at risk of being disrupted or dissolved and unable to produce ongoing outcomes for the community. Fortunately, as a result of the County's leadership, State agencies have offered over \$5 million in funding to continue and expand upon the County's innovative program design. These well-timed funding opportunities now present the only known opportunity to cover ongoing program costs with external sources and thereby realize ongoing returns on the initial investment made in developing emPower. With approximately 32,000 owner-occupied single-family homes in the County (unincorporated and incorporated areas) over 25 years old and due for an energy upgrade, there is clearly more emPower can do. As described in the implementation plan in Section 3, acceptance of these rare funding opportunities will allow the program to continue offering innovative energy solutions to the broader region, including Ventura and San Luis Obispo Counties.

Introduction

Over the course of the last several years, buildings have become a key focal point of both State and national policy strategies to stimulate economic recovery while lowering energy consumption. Competitive funding provided to 30 governments across the nation under the American Recovery and Reinvestment Act (ARRA) through the US Department of Energy's BetterBuildings program led to the development of many innovative programs and practices in local communities throughout the US aimed at removing obstacles that keep property owners from retrofitting their homes or businesses.

These program practices have produced important insights regarding the most attractive type of incentives, and the most effective processes to deliver services and encourage property owner action. To varying degrees, many of these practices, including those developed by emPower, have demonstrated early indicators of sustainable transformation in local and national building efficiency markets. As expected, however, despite significant progress across the nation, the larger effort has proven itself too large to complete in only a couple of years. As a result, State and federal governments are continuing to designate funds and set goals to build upon the momentum created by programs like emPower. In fact, this February (2013), the White House announced its goal to cut energy consumption in homes and businesses in half by 2020. The US Department of Energy estimates that if just 10% of homes and business in the US cut energy usage by 25%, over \$8 billion in energy consumption costs would be saved¹.



Similarly, California's Long-term Energy Efficiency Strategic Plan adopted by the California Public Utility Commission aims to cut energy use in homes by 40% and in commercial buildings by 30%. In California's residential sector alone, 5.8 million homes are likely candidates for substantial energy retrofits. The State estimates it will cost \$60 billion to complete these retrofits, a number that highlights the importance of keeping lenders, qualified contractors, and programs like emPower engaged.

In 2010, the Santa Barbara County Board of Supervisors recognized that addressing the County's 150,000 existing homes presented a unique opportunity to simultaneously create jobs, increase resource efficiency and deliver a wide array of benefits to both property owners and the broader community. In mid-2011, the Board authorized emPower to deploy strategies to help property owners tackle key obstacles to making energy improvements, such as affordability, inconvenience, and confusion.

Now in early 2013, the same key obstacles exist for many property owners. However today, emPower's staff, partners and contractors are armed with the experience, tools, services and expertise to overcome them. The progress described in this document details outcomes generated across the community in emPower's first 18 months in operation, which have gained recognition throughout the State.

Fortunately, just as early funding sources for programs like emPower are coming to a close, another wave of funding has arrived alongside a number of significant policy decisions aimed at lowering energy consumption. Section 2 of this report illustrates that interest in this policy area has grown, not diminished. In fact, spending in the US on utility-funded energy efficiency programs is expected to double by 2025 to nearly \$10 billion². In

¹ US Department of Energy BetterBuildings Neighborhood Program:
<http://www1.eere.energy.gov/buildings/betterbuildings/neighborhoods/about.html>

² <http://www.greentechmedia.com/articles/read/spending-on-utility-efficiency-programs-to-double-by-2025>

CA, recent clean energy legislation is expected to be followed by significant sums of funding to various support entities with regional infrastructure ready to achieve energy savings. Local public agencies, like emPower, are seen as critical implementation partners, as they are best able to leverage and deliver centralized, regional energy efficiency resources and services.

As a result of the County's success, emPower has been offered a total of over \$5 million in funding from the California Energy Commission (CEC) and the California Public Utilities Commission (PUC) to continue and expand upon its original model for an additional two years. On June 25, 2013, the Board of Supervisors is asked to consider accepting these funds to allow emPower to continue after August 2013. A corresponding implementation plan for the two funding sources is outlined in Section 3 of this report.

1. emPower Program Background

Before sharing program outcomes and future plans, it is important to briefly review the program's purpose and evolution to date in the context of key State and federal policies.

Purpose

emPower is often referred to as a "financing program." While the development of innovative, affordable and accessible financing for home energy upgrades was a critical part of developing emPower, it is only one of many needs that motivate property owners to seek assistance from emPower for their energy upgrade. The purpose behind the program was always much broader than one loan product. The emPower Home Upgrade Loan, successfully developed with CoastHills Federal Credit Union, was one tool in a larger toolbox necessary to help property owners make energy improvements to local buildings. The history detailed in this section reflects the evolving design of the program, which includes varied and interconnected service functions from rebates, to outreach events to contractor mentorship. In fact, the name emPower was developed 3.5 years ago as an acronym abbreviating the broad intent to offer "Elective Municipal Programs to Optimize Water Energy and Renewables." In 2010, the redesigned Implementation Plan included the following vision statement:

"emPowerSBC will generate demand for building efficiency upgrades and renewable projects throughout the County by leveraging, centralizing and enhancing resources that will address the obstacles that currently inhibit owners from upgrading existing residential and commercial properties. As a result, the County will stimulate the economy, improve the local building stock, and help residents save money while conserving resources."

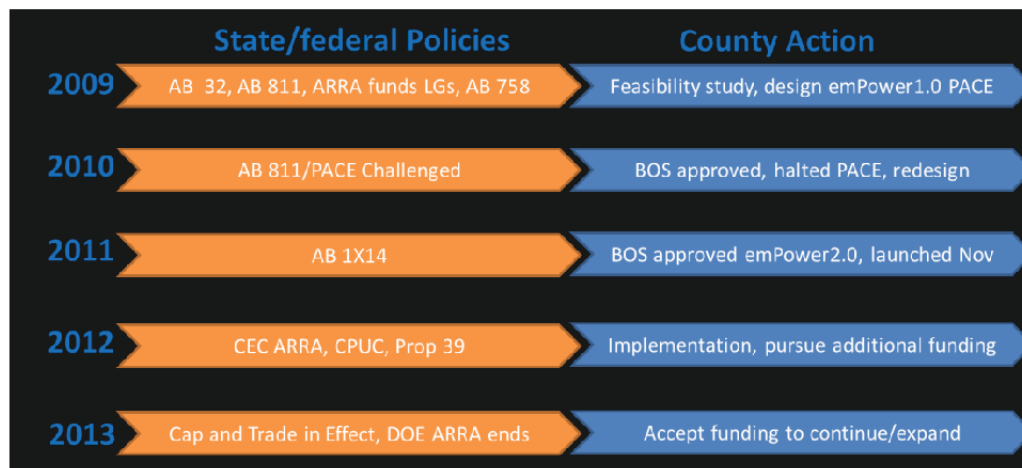
This vision concept still drives the program, though the mission statement has since been simplified:

***To help the community transform existing inefficient buildings
by developing, leveraging and promoting innovative, voluntary market solutions
designed to stimulate the economy and save energy.***

History

This section describes the policy framework in which emPower was created in order to implement a broad scope of energy efficiency services, including, but not limited to, financing. It reflects the enormous amount of national and State political will and capital that has been deployed specifically to help local governments stimulate the economy and put people back to work, while also improving buildings and saving energy. Below is a brief history of the program since 2009, displayed alongside major policy events. A visual timeline is provided in Figure 1 summarizing major program milestones described below and key State and federal policies since 2009.

Figure 1. Policy and program visual timeline



2009

In response to key State and federal legislation, the County Executive Office and the County Board of Supervisors directed staff to conduct a feasibility study for a voluntary municipal energy efficiency program targeting privately owned buildings. The following legislative actions signaled that local governments had an important role in implementing building efficiency and job creation efforts:

- **CA Assembly Bill 32** (2006) Global Warming Solutions Act, including greenhouse gas (GHG) targets for local governments and building efficiency as a major pillar of GHG reductions
- **CA Assembly Bill 811** (2008) authorized local governments to administer property assessed clean energy (PACE) financing
- **Federal American Recovery and Reinvestment Act (ARRA)** (2009), including Energy Efficiency and Conservation Block Grant (EECBG) formula and competitive funding to local governments
- **CA Assembly Bill 758** (2009) directed California Energy Commission to address existing buildings in partnership with local governments

The County's feasibility study determined there was demand and need for energy retrofits in Santa Barbara County. It also concluded that upfront costs and confusion were key obstacles for property owners, and that a comprehensive PACE program could be a self-sufficient and attractive model to help residential, commercial, agricultural and industrial property owners overcome these obstacles (see Figure 2). Based on

the feasibility study results, the Board directed a project team of County staff to develop a multi-faceted program (referred to now as emPower 1.0) to save energy and create jobs in the local economy.

Figure 2. emPower 1.0



2010

emPower 1.0 was developed using PACE as the financing mechanism. The Board of Supervisors approved the program, provided \$5 million in general fund seed funding for a revolving loan fund, and accepted \$3 million in ARRA Energy Efficiency and Conservation Block Grants to support program administration through August 2013. The County completed all legislative and judicial requirements to establish a PACE program. Three weeks before emPower made PACE applications available to property owners, the Federal Housing Finance Administration released statements challenging the seniority of the PACE lien against a residential property. This action halted PACE programs throughout the nation, including emPower.

When it was clear that PACE would not be resolved quickly at the federal level, the County immediately worked to redesign the program based on other national best practices in building efficiency programming. The redesigned program proposal utilized awarded ARRA funds to achieve similar goals without using the PACE model. In December, the Board unanimously approved the emPower 2.0 plan, which focused on a comprehensive model including marketing and outreach, workforce development, customer service, partnership with statewide utility rebate programs, and a new financing mechanism (see Figure 3). The new financing mechanism was designed to provide public credit enhancements (loan loss reserve funds) to private lenders who would in turn facilitate attractive, unsecured loans (explained in greater detail in Section 2).

Figure 3. emPower 2.0



2011

Following Board approval, there was a competitive solicitation to select a lending partner that would offer the best energy efficiency financing services to the community. CoastHills Federal Credit Union, working together with Ventura County Credit Union, was selected. Over the course of 6 months, the County and credit union executives developed an agreement outlining the mechanics of the innovative public-private relationship. In August, the Board approved the loan loss reserve agreement, making \$20 million in private capital accessible for building energy upgrades and solar, the largest energy efficiency financing partnership in the State.

emPower staff worked in conjunction with lending partners, electric and gas utility providers, non-profits, marketing firms, REALTORS, the building trades community and other key stakeholders to design program operating processes, a workforce development plan and a marketing, education and outreach strategy. Officially launched in November 2011, the program streamlined the process of attaining low cost loans for single family residential home energy upgrades, along with high dollar utility rebates from the statewide Energy Upgrade CA program, and qualified contractors. emPower became one of only two local programs in the State offering these combined services.



2012

In 2012, emPower refocused its program activity to drive homeowner demand, recruit and train contractors, assist customers and refine program services (described in detail in the next section). The financing model attracted distinction in California and staff were asked numerous times to provide input and insights for policy practitioners across the State. As a result of the innovative and effective program design, State agencies offered to help continue and expand program services as existing funding sources begin to expire:

- **California Energy Commission (CEC):** \$11 million in remaining ARRA funds were allocated by the CEC to Los Angeles County in order to subgrant funding to programs like emPower that are able to expand services to neighboring underserved communities. Santa Barbara County is offered \$1.55 million to provide financing and other services across the Tri-County including San Luis Obispo and Ventura Counties.
- **California Public Utilities Commission (PUC):** The PUC mandated that investor owned utilities continue previously ARRA funded programs and dedicate \$300 million in 2012 and 2013-2014 energy efficiency program cycle budgets towards local and regional programs. Santa Barbara County was offered substantial new funding contracts for comprehensive services in Santa Barbara County and throughout the Tri-County. The PUC also commits to funding the statewide Energy Upgrade CA utility rebate program for another 10 years, and names local and regional programs as key implementation partners.

On September 4th, the Board received an update from emPower, and accepted a new funding contract for \$875,000 from Southern California Gas for 2012 PUC funding. At the same hearing, the Board directed staff to pursue additional funds to build upon the emPower model in the Tri-County region and sustain and enhance program activities through the end of 2014.

Before year-end, California voters approved **Proposition 39**, which is expected to generate \$500 million a year for clean energy projects across the State. Many policy actors are currently seeking to allocate some of those dollars to regional energy efficiency programs offered by public entities.

2013

The State's **Cap and Trade** greenhouse gas emission policy went into effect, which is expected to generate \$6 billion in auction proceeds by 2020 in the power sector alone. Again, several policy factors are currently seeking to allocate some of those dollars to regional energy efficiency programs offered by public entities.

The County experienced an uptake in program demand and launched new services, including Energy Coach and Flex Path, as explained in the next section. Following Board direction, staff prepared contracts for additional funding sources. This report is provided to the Board of Supervisors, accompanied by recommendations to accept two new funding awards in order to continue the program past August 2013, when existing funding awards are set to expire.

It is important to reiterate that, in the interest of cost effectiveness program administration, all recent energy efficiency policy initiatives have focused on providing funding to public programs that can offer large scale regional services.

2. emPower 2.0 Program Progress

As mentioned in Section 1, Figure 4 below illustrates the six functional services areas of the current emPower program design (referred to as emPower 2.0). These six "lanes of service" represent program infrastructure built and operated under emPower 2.0, which together serve as a "bridge" to help inefficient County homes cross over to become efficient.

Figure 4. emPower 2.0 Services

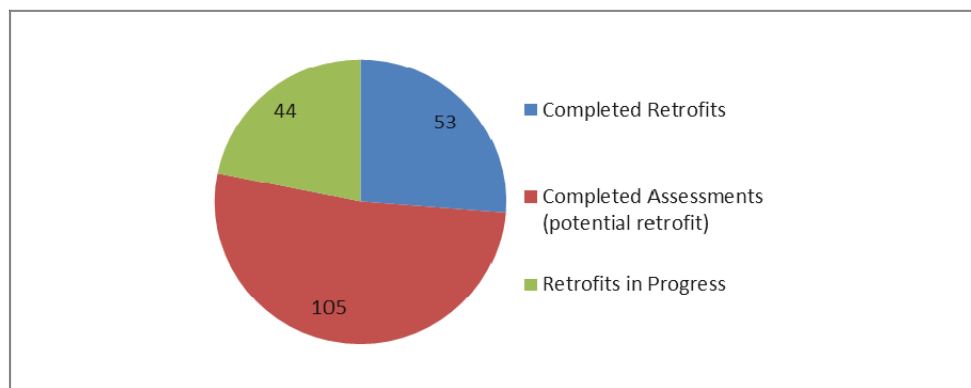


This section explains these services in more detail and provides indicators of program performance in each area since program launch in November 2011. First, it is important to highlight the most noteworthy performance indicators, which demonstrate the high initial rate of return on the initial investment of grant funding. In sum, emPower activities have:

- Attracted nearly 3,000 interested individuals to engage with a broad range of program services, education and assistance.
- Led to home energy work in approximately 202 homes as of May 21, resulting in:
 - Over \$1.7 million in project activity for participating contractors, leading to economic multipliers of \$3.4 million (according to IMPLAN projections).
 - Nearly \$600,000 in loan applications for participating lenders
 - Average of 32% energy savings for completed projects

- Enrolled 23 participating contracting companies, from one man shops to large well established firms like Allen Associates.
- Provided workforce trainings for nearly 400 attendees from the building trades, resulting in 700% increase in nationally recognized building performance certifications in Santa Barbara County
- Along with project generated economic impact, local spending of federal, State and utility grant dollars on program delivery is estimated to have generated an additional \$3.7 million in economic impact.
- Initial funds allowed the development of an innovative, robust and lasting program infrastructure, which earned Statewide recognition and resulted in \$5 million in new State funding to continue and expand program

Figure 5. Home Energy Projects Resulting From emPower Activities



Services and Outcomes

Workforce Development / Training

The presence of skilled, trained and qualified workforce is critical to the success of a large scale building retrofit and renewable energy installation initiative. This is an area where emPower efforts have made the greatest impact during the initial phase of the program. For example, three years ago, there were only 5 individuals in the County certified by the Building Performance Institute (BPI), the nation's premier standards development and credentialing organization for residential energy efficiency retrofit work. Today there are nearly 40 BPI certified professional in the County, which is largely a result of emPower workforce trainings and contractor outreach.

Grow your business with BPI Training.
Only \$100!
 (A \$2950 Value)

Santa Barbara County's emPowerBPC program wants to help you and increase the local home performance workforce. For a short time we're offering the training and certification needed to become a BPI Building Analyst here locally. This helps you save time and money.

BPI certification is a major step towards becoming a Participating Contractor with emPowerBPC. Only BPI certified contractors are qualified to receive up to \$4,000 in utility rebates and low interest financing for making home energy upgrades.

COURSE DATES & LOCATIONS

May 21-25	June 4-8
Held in Santa Barbara County	Held in Santa Barbara

Space is limited to enroll now at: www.empowerbpc.org/bpi

For more information contact Ashley Watson at 805-560-2574 or awatson@cs.santa-barbara.ca.us

emPower (805) 566-1556 **Coast Hills** **Coast Hills**

Santa Barbara County | www.empowerbpc.org

emPower ultimately aims to prepare the broader local contractor industry to complete a high volume of small and large scale energy retrofits and solar installations throughout the region.

Services

- Free or substantially discounted, local trainings in building performance, sales and other professional skills
- Contractor recruitment and enrollment. Access to a Home

Performance Tool Lending Library, through membership sponsored by emPower.

- Contractor program support and advocacy with statewide utility programs
- Ongoing building performance skill mentorship offered by emPower's Energy Coach
- Facilitation of a Contractor Input Committee to gather feedback on program offerings and share best practices
- Media exposure and lead generation activities to increase contractor sales
- Access to program marketing materials (yard signs, brochures, door hangers, etc) to support contractor sales

Outcomes to Date:

- Number of participating contractors: 23
- Total project income generated: \$1,700,000
- Leads reported by participating contractors generated by emPower: over 350
- Number of trainings for building professionals: 28
- Numbers of building professional attendees: 409
- Percentage increase in number of BPI certified professionals: 700%
- Contractor testimonials:



"emPower jobs will make up 35% of my business in 2013. Due to emPower, I plan to hire more people into our new home performance division." – Joe Halsell, Halsell Builders

"emPower's marketing and outreach saves us time and money by raising the awareness of whole house energy efficiency in the community and provides us with supplementary lead generation by providing our information to a high number of interested homeowners" – Shawn Jacobsen, Allen Associates

"I cannot tell you how valuable the emPower sponsored BPI class and the resulting Building Analyst certification has been to me. I am grateful for this opportunity" - Tom Kirschner, Tom Kirschner Construction

Marketing, Education and Outreach

A multi-faceted marketing, education and outreach approach is necessary to generate program awareness throughout the County. It is also a critical part of successfully

encouraging homeowners to take advantage of home energy services and incentives. It was very important that emPower's branding and messaging be specifically designed to be relatable to Santa Barbara County homeowners. The County and expert marketing consultants used national best practices, market research, and local experience to craft an inviting marketing approach that appeals to homeowners throughout the County looking to replace older systems, live more comfortably and save money.



A large component of emPower's outreach activities aim to educate homeowners about the principles of home performance, a comprehensive whole-house approach to identifying and fixing comfort and energy efficiency problems in a home while ensuring occupant safety. A broad scope of marketing and outreach tactics help the program communicate that working with one of emPower's home performance contractors is the best way to solve a wide range of frustrations in the home, from cold nights, to poor indoor air quality, to high utilities bills.

Implementing the following marketing functions accounts for a significant amount of emPower staff time and program spending, but also provides the greatest opportunity for widespread impact. In fact, emPower contractors report that emPower marketing is one of the most valuable services emPower provides. According to contractors, the program's unique ability to attract homeowners in need and connect those prospective customers with participating contractors has led to a significant number of home energy projects.

Services

- Events: Homeowner Workshop and BBQ, emPower Hour, Home Energy Showcase, Lunch and Learn, exhibit booths at community events
- Presentations: Local agency hearings or meetings, business and REALTOR meetings, HOA meetings
- Advertisements: Radio, TV, online and print, special campaigns (winter, single measures)
- Partnership development: Community Partner Advisory Group, marketing collaboration with credit unions
- Web outreach: Interactive website: emPowerSBC.org, eNewsletter, eblasts (program and partners), social media
- Earned media: Regular press coverage
- Collateral development: Brochures, Flyers, Homeowner Case Studies, Direct Mailers, Door Hangers, Pens, Magnets, Yard signs, Reusable Shopping Bags, Table Top Display, Energy Efficiency Posters

Outcomes to Date:

- Number of home energy projects completed/in progress: 202
- Number of workshops and community events: 47
- Number of presentations to community partners or businesses: 22
- Number of web hits to emPowerSBC.org: over 12,000



Local Customer Service

Because home energy upgrades can be overwhelming and confusing, emPower was always designed to offer a local, personalized presence, rather than just a hotline and website. emPower aims to be friendly, helpful, responsive and accessible. The

program's marketing activities described above have led to a great need for knowledgeable customer service available to connect customers with contractors, lenders and rebate programs.

Services:

- Several team members are available by phone, email or in person to help homeowners navigate through various stages of their single family comprehensive home energy upgrade.
- Information and referrals to other programs and services for residents (including those that are not interested in single family comprehensive home energy upgrades), such as:
 - Free weatherization or retrofit services for low income households
 - Retroactive improvements (tax credits and utility incentives)
 - Program referrals for mobile home, multi-family and commercial energy services
 - Single measure incentives



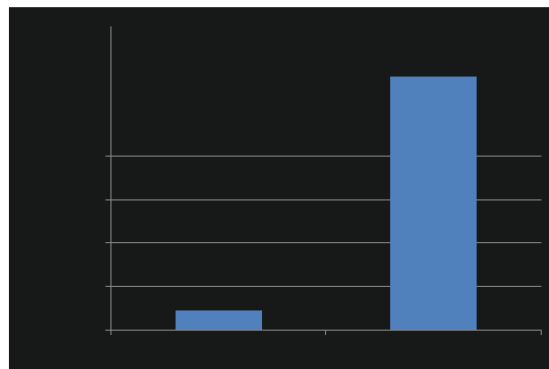
Outcomes to Date:

- Number of interested individuals that have contacted the program: nearly 3,000
- Quotes from happy customers:

"Since the upgrade, our house has been much more comfortable. In the summer it was much cooler and now that the winter weather has arrived, we're finding our house is cozy and warm. Plus Paul and I expect to reduce our energy bills by about 90%. Our family loves knowing we're doing our part to help sustain our environment." Valerie Kushnerov, Goleta homeowner

"I loved the property but we didn't know how we would pay to make the needed improvements," said homeowner Kathy Rosenthal. "Then I attended an emPowerSBC workshop and learned about the rebates, financing and qualified contractors. The program made it possible for me to buy the home without having to worry about how I would pay to make repairs". Kathy Rosenthal, Solvang homeowner

Figure 6. Customer contacts Jan. 2012 vs Jan. 2013



Residential Financing

By offering low monthly payments, affordable and accessible financing, emPower has a tool to help homeowners overcome high upfront costs associated with home upgrades and solar system installation. Without financing, a comprehensive home

energy upgrade would cost an average homeowner \$15,000, to be paid all at once. Now with emPower financing, a homeowner would pay little or nothing down and simply make monthly payments of approximately \$125, which can also be offset by utility savings.

Services:

The emPower Home Upgrade Loan is the result of a public-private partnership between the County of Santa Barbara and CoastHills Federal Credit Union, based in Lompoc Valley. The County placed \$1 million of its competitive ARRA EECBG grant (US DOE BetterBuildings Program) into a loan loss reserve with CoastHills. The loan loss reserve serves to cover a portion of potential defaults on \$20 million in CoastHills lending capital, achieving an outstanding leverage ratio of private to public funds (20:1). CoastHills, in turn, offers accessible unsecured loans at better terms and rates than are typically available on the market.



The attributes of the emPower Home Upgrade Loan are illustrated in Table 1. This table displays the specific advantages emPower financing can offer homeowners in comparison to a Home Equity Line of Credit (HELOC), a Refinance Loan (ReFi) or another unsecured loan product.

Table 1. emPower Home Upgrade Loan Attributes Comparison

Attributes	emPower loan	HELOC	ReFi	Other unsecured
Loan type	Unsecured	Secured	Secured	Unsecured
Collateral	None required	Home	Home	None required
Closing costs	No	Maybe	Yes	No
Equity required	No	Yes	Yes	No
Prepayment penalties	No	No	Maybe	Maybe
Loan maximum	\$25,000	80% Loan to Value	90% Loan to Value	\$5-15,000
Term	15 years	Up to 30 years	5-30 years	5 or less
Starting rate	5.90%	Variable (Start around 5%)	3-6%	13-30%
Approval time	1 day or less	2 weeks	2 weeks	1 day or less
Minimum FICO	590	700	varies	varies

Note: Secured loans require some form of collateral and unsecured loans do not.

Outcomes to Date:

- Value of loan applications: \$565,000
- Number of loan applications: 33
- Value of loans closed: \$288,000
- Percent average energy saved in closed loan projects: 32%
- Most popular upgrades financed: furnace replacements, duct insulation, attic insulation, air sealing, windows and water heaters.

Residential Rebates

Santa Barbara County
emPower Program

emPower determined two years ago that combining high dollar rebates with low cost financing was the key to offering homeowners the most affordable energy improvement possible. This combined approach allows emPower customers to

simultaneously take advantage of rebates and financing in one process. By taking advantage of thousands of dollars of rebates, homeowners can substantially reduce the cost of making an upgrade. If combined with financing, rebates can reduce the overall loan amount and result in lower monthly payments.

Services

emPower promotes the following rebate offers, which also help qualify projects for emPower financing:

- **Energy Upgrade CA:** Energy Upgrade CA (EUC) is a statewide program administered by the investor owned utilities that offers up to \$4,500 rebates for residential energy upgrades. Given limited dollars, staffing and time, in 2011, emPower was strongly encouraged by grant agencies to team up with EUC. The combined approach was not only key to providing the most affordable upgrades possible, but it also allowed emPower to leverage the EUC infrastructure already developed to qualify contractors, determine project eligibility, ensure proper job completion and perform quality control and quality assurance without expending any additional tax payer dollars. In return, emPower would use its marketing efforts to promote EUC rebates along with emPower financing. However, EUC's basic and advanced packages and the related rebates struggled to attract consumer demand statewide (described in the "Key Challenges" section on page 17). EUC is expected to deploy significant program improvements in the next 4 months, which are expected to dramatically improve homeowner interest, including the launch of its new and more convenient Home Upgrade rebate option (June 17, 2013).
- **CSI Solar Water Heating:** Utility providers offer a substantial rebate through the California Solar Initiative (CSI) for solar thermal water heating, which heats water using the warmth of the sun, thereby lowering traditional energy consumption and is considered an energy efficiency measure. In August 2012, emPower began allowing solar thermal projects approved by the utilities to be eligible for emPower financing on a standalone basis without requiring they be combined with other energy efficiency measures.
- **Flex Path** (launched January 2013): Based on a successful model in Los Angeles County, emPower's limited time "Flex Path" option allows homeowners to receive a \$1,000 rebate for completing a more flexible range of energy saving improvements with a participating contractor.
- **CSI Solar (Photovoltaic):** Utility providers offer a substantial rebate through the California Solar Initiative (CSI) for installing solar photovoltaic systems, which can offset traditional energy consumption. To meet grant requirements, CSI solar photovoltaic projects can qualify for emPower financing if completed with along with an energy efficiency project that qualifies for any of the other three rebates shown above.

Outcomes to Date:

- Number of Energy Upgrade CA projects in Santa Barbara County (since November 2011): 37
- Number of CSI Solar Water Heating projects in Santa Barbara County (since November 2011): 15
- Number of Flex Path applications (since January 21, 2013): 12

Expert Energy Advising

In 2012, it became clear that many interested homeowners needed more assistance to make progress through the program pipeline. In particular, many homeowners who initially expressed great interest in the program struggled to take the first step to meet with a participating contractor. emPower determined that many homeowners did not feel comfortable contacting contractors and needed additional expert "energy advice" before moving forward with a home upgrade. It was clear that homeowners needed a more customized and personal onramp to the program. In other parts of the country, similar programs have successfully added an

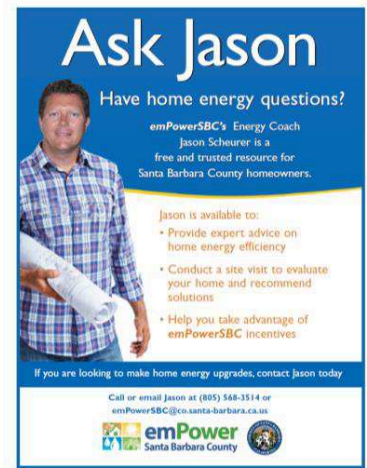
energy advisor service to provide expert, unbiased, third party technical assistance to both homeowners and participating contractors on site or over the phone.

Services

To assist residents, an energy coach was selected with over 25 years of construction experience as a general contractor. Jason Scheurer has experience teaching building performance and has provided quality assurance for federal weatherization programs. He began offering technical energy assistance in January 2013 and is already helping local homeowners consider useful energy improvements and connecting them with participating contractors. Preliminary results of a recent program survey indicate high levels of satisfaction with the Energy Coach service.

Outcomes to Date:

- Number of home evaluation visits: 78
- Number of contractor mentorship visits: 16



Assets

Perhaps the greatest success of emPower 2.0 has been applying initial grant funds to the development and operation of a substantial list of valuable and lasting assets (examples shown in Table 2), which can only continue to be viable if the program is still in operation.

Table 2. emPower Assets

Functional Service Area	Program Assets
Financing	\$1,000,000 loan loss reserve supports \$20 million in private capital for emPower Home Upgrade Loans
	Formal functioning relationship with 2 local credit unions, including complex lending agreement for loan facilities/servicing
	Customized loan application system
	Loan production and performance reporting systems
	Outreach support through 30,000 Credit Union member listserv, local branches and credit union staff
	Accounting methodology developed by Auditor Controller
	Lender Guide with underwriting instructions
Rebates	Relationship with Statewide Energy Upgrade utility program, including streamlined rebate and financing application processes
	Streamlined utility solar thermal rebate and financing application processes
	Internally developed and managed Flex Path rebate program, including application, quality control and payment systems
Workforce Development/Training	Participating contractor enrollment process (documentation, screening, training)
	Participating contractor directory that helps property owners find qualified contractors
	A Contractor Input Committee (CIC) which meets regularly to help contractors provide feedback, network and share lessons
	Mentorship assistance from Energy Coach who can assist newer home performance contractors on their projects
	Sponsored tool lending library subscription for emPower contractors and trainees.
	Relationships with local training providers
	emPower marketing assets, which help participating contractors' increase visibility, credibility, and sales
Marketing, Education and Outreach	emPower brand and widespread brand awareness
	Marketing strategy and messaging platform
	Two marketing firms on contract and trained on all program processes
	Customized online presence including website, enewsletter, facebook page, twitter account
	Designed and produced program materials including tv and radio commercials, ads, collateral, presentations
	Several effective event formats and planning protocols
	Press kits, media relationships and media contact list
	Community partner advisory group including key stakeholders (i.e. REALTORS, contractor associations, non profits, cities)
Local Customer Service	Relationships with lenders, cities, local agencies/businesses that leverage valuable resources and increase outreach distribution
	Three knowledgeable staff members
	Customer intake processes
	Customer contact list that reaches nearly 2,000 individuals
Expert Energy Advising	Customer contact systems including hotline, web contact forms, email
	Home energy information packet
	One Energy Coach on contract and trained on all program processes
Program Administration	Energy Coach intake and assistance protocols and processes
	Fiscal and procurement systems and protocols
	Trained personnel
	Grant administration, reporting and compliance systems

Key Challenges and Solutions

Overall, emPower has accomplished a great deal in terms of both building programmatic infrastructure, generating community and economic outcomes and making progress towards its mission. As a startup program, emPower has, of course, experienced challenges along the way. This section describes some of the key challenges that have inhibited further progress during the initial stage of the program, and how these challenges are being proactively addressed.

Program redesign delayed launch

As described in Section 1, the federal challenges to PACE delayed the original launch date of the program for more than a year. The County was fortunate that ARRA grant funds were available to pay for the work required to redesign the program, seek Board approval, conduct a selection process for lending partners, develop lending agreements and redevelop all program processes and materials. While the program is now on track, the delay meant that the amount of time the program had to generate outcomes before the end of the funding period was greatly diminished.

“Whole house” approach may limit demand

After emPower’s ARRA funding agreements were accepted, the DOE and CEC issued rules to encourage recipients to support the most comprehensive retrofits possible to elicit high energy savings. Based on building science principles, and a legislated “loading order,” programs were instructed to encourage customers to bundle the most cost effective energy efficiency measures (i.e. air sealing, attic insulation, duct repair) before incorporating larger system improvements (i.e. furnace replacement or solar electric installation). This meant that emPower was advised not to operate incentives that support single measure energy projects such as window or water heater replacements, nor solar installations, as it was originally designed to do.

As a result, the program replaced its original eligible measures list with the two packages of comprehensive, “whole house” retrofit packages offered by Energy Upgrade CA, a new utility administered rebate program. As the program promoted the Energy Upgrade CA rebate alongside emPower financing, it became clear that many homeowners wished to do projects incrementally, particularly during this economic downturn, rather than be required to complete all measures at once. This experience is not unique to California, it is a lesson shared by many programs across the country funded by the DOE BetterBuildings program.

In addition, as a large scale new program, Energy Upgrade CA experienced various process challenges, which affected application processing, contractor interest and demand for Energy Upgrade rebates. Since emPower financing was tied to Energy Upgrade projects, emPower loan volume suffered as well. In response, emPower has developed and launched a more flexible pathway into rebates and financing, called Flex Path, which is a temporary offer designed to align with consumer demand for more customizable upgrades. emPower is also active on the Energy Upgrade Statewide Working Group, providing feedback as Energy Upgrade seeks to improve its eligible rebate packages. Substantial improvements to the Energy Upgrade program are expected to be announced in the next 4 months.

Scaling up takes time

Before the launch of the emPower program, the concept of home performance was unknown to both homeowners and contractors. As a result, emPower was responsible for creating brand awareness and driving demand for “whole house” home energy upgrades while simultaneously preparing a workforce that could meet this demand. These market factors must operate concurrently in order to complete a large volume of home energy improvements, but they take time. emPower has made great strides in helping contractors

update their business models to include the range of home performance functions and will continue to conduct local training and recruitment efforts.

In addition, because home energy upgrade projects carry a relatively high price tag, participating contractors report that it often takes 3-12 months for a lead to turn into a signed a contract for services. Home improvements are a large investment for most homeowners, who often take quite a while to consider the purchase before they sign a contract. Several campaigns and limited time offers have been crafted to create a sense of urgency to encourage homeowners to initiate their projects sooner. As a result, more homeowner have begun their upgrade projects, but of course, not all need financing. As the total number of retrofits underway increases with time, the volume of emPower loans is expected to scale closer to the levels originally expected under PACE.

Finally, hiring delays were a significant factor in program progress. emPower 2.0 was fully staffed with three positions only as of May 2012, which has contributed to a significant increase in program effectiveness.

emPower 2.0 Budget

Past program funding awards accepted from 2010 through the present are shown in Table 3 below.

Table 3. Past program funding awards

emPower Funding Awards	Awarded
ARRA DOE (expires 8/2013)	\$ 2,401,309
ARRA CEC (expired 6/2012)	772,635
Southern California Edison	59,840
So Cal Gas 2012 (expires 5/2013)	875,000
General Fund	-

Program spending to date against past funding awards is estimated below.

Table 4. Program Spending 2010-2013 (as of April 2013)

Program Spending Breakdown	2010-2011	2011-2012	2012-2013
Salaries and Benefits	\$220,500	\$272,000	\$440,400
Operations and Marketing	202,000	529,200	775,900
Total Program Spending	\$422,500	\$801,200	\$1,216,300
Loan Loss Reserve Transfer		1,000,000	

Actual funds spent to date for three years of program development and operations is \$1.7 million. Increases in spending over time reflect a ramp up of staffing levels to 3 FTE (described above) and associated program activities at different phases of program development (financing agreement, processes, workforce engagement, branding), launch and start up. The loan loss reserve transfer indicates the year in which \$1

million was drawn from the ARRA DOE grant and placed in an account with emPower's lending partners as a credit enhancement. The entire \$1,000,000 remains to support emPower's financing program, and extends beyond the August 2013 grant deadline. The only way the loan loss reserve funds are actually "tapped into" is if there are defaults against outstanding emPower Home Upgrade Loans. There have been no defaults against any of the emPower loans to date.

3. Next Phase: emPower 3.0 Implementation Plan

Following the Board's direction in September 2012 to pursue available opportunities to continue and expand emPower, this section details how funding contracts totaling over \$5 million present a unique and timely opportunity to continue serving the building efficiency needs of the region.

The main premise of emPower 3.0 suggests that building upon current program assets is the best way to turn the initial outlay of funds into an investment that can elicit significant returns for years. The alternative is to allow the program to end in August, which would result in the loss of all program assets and ensure that all spending to date would only produce a year and a half of results. If the Board of Supervisors makes the decision to accept available contracts from the California Energy Commission (CEC) and the California Public Utilities Commission (PUC) at the June 25 hearing, it will have the means necessary to allow emPower to operate and generate continued outcomes through the end of 2014. It also positions emPower to pursue future funding opportunities to generate results for years to come.

As mentioned, these and other funds becoming available are based upon programs like emPower offering services on a regional basis. The funds available are also based upon emPower's unique ability to be expanded into neighboring communities including Ventura and San Luis Obispo Counties. From the State's perspective, regional programs offer the most cost effective and least redundant approach to ensuring communities have access to building efficiency services. Given how complicated and time consuming programs like emPower are to develop, it would not make sense for each local jurisdiction in the State to design, develop and administer their own program. A similar logic applied when the County originally decided to offer emPower services to all 8 incorporated cities within the County, as it does today.

*Same program
design, bigger
boundary*

Program Design

As described in the previous section, emPower 2.0 was funded by past grant awards through August 2013 to support the development and start-up phase of emPower for Santa Barbara County residents. emPower 3.0, described in this section, proposes the use of new funding awards to support the same program design through the end of 2014, with an expanded service boundary. State funding agencies have offered continuation funding under the specific expectation that Santa Barbara County can provide services to neighboring areas in San Luis Obispo County and Ventura County.

emPower 3.0 therefore looks very similar to emPower 2.0 from a service delivery perspective. emPower 3.0 is designed to operate the same functions illustrated in Figure 7 and described in previous sections, which serve its original mission:

*To help the community transform its existing inefficient buildings
by developing, leveraging and promoting innovative, voluntary market solutions
designed to preserve the environment and stimulate the economy.*

Figure 7. emPower 3.0 Service Functions



Ongoing study reveals that new and emerging best practices in building efficiency programs are being successfully implemented across the country. Where possible, staff intends to continue to identify, design and implement innovative variations of the six service functions above in the next phase. Examples include: financing for multi-family residences, contractor incentive programs and trainings, new outreach strategies, and strategic partnerships to leverage additional resources with local agencies.

The following sections provide additional detail regarding advantages to a Tri-County program, and program management and operations.

Existing Residential Building Stock

Several factors suggest that the volume of demand for energy upgrades to existing residential properties in the Tri-County region is substantial. To help house a population of 1.4 million people, there are 315,000 single family residential properties in the Tri-County, as detailed in Table 5 using Assessor data from each County. In Santa Barbara County, approximately half of the residential properties are owner occupied units, 58% are single family detached homes, and 86% were built before 1990. In fact, a majority of the stock was built in between 1960 and 1990.³ Older homes are typically likely in need of rehabilitation, including the measures eligible for emPower incentives and financing. emPower estimates that approximately 135,000 single family homes throughout the Tri-County are good

Table 5. Single Family Residential Parcels

Jurisdiction	Number of Single Family Residential Parcels
Santa Barbara County	
Unincorporated	27,847
Incorporated	
Buellton	1,149
Carpinteria	1,763
Goleta	5,269
Guadalupe	1,278
Lompoc	7,064
Santa Barbara	14,229
Santa Maria	16,043
Solvang	1,179
Total Incorporated	47,974
Santa Barbara County Total	75,821
San Luis Obispo County	
Unincorporated	31,360
Incorporated	
Arroyo Grande	5,026
Atascadero	7,216
Grover Beach	2,928
Morro Bay	3,922
Paso Robles	8,028
Pismo Beach	3,168
San Luis Obispo	7,903
Total Incorporated	38,191
San Luis Obispo County Total	69,551
Ventura County	
Unincorporated	10,219
Incorporated	
Filmore	3,073
Ojai	7,399
Oxnard	30,078
Santa Paula	4,508
Ventura	22,631
Port Hueneme	2,153
Camarillo	18,290
Thousand Oaks	28,340
Simi Valley	31,749
Moorpark	8,310
Total Incorporated	166,531
Ventura County Total	176,750

³ Santa Barbara County 2009-2014 Housing Element

<http://longrange.sbcountyplanning.org/programs/housing/documents/2009/Chapter%2010%20Needs%2011-4-10.pdf>

candidates for emPower services (owner-occupied and over 25 years old).

In addition, tens of thousands of multi-family homes could be good candidates for emPower services, which highlights a need to begin developing specific services during this phase to meet this demand.

Tri-County Advantages

A Tri-County approach provides wide benefits to the region and helps emPower achieve its goals. Neither Ventura nor San Luis Obispo currently offer the type of services emPower offers to the residents of Santa Barbara County, including financing, and specific outreach, customer service, and workforce development efforts. Both Counties have formally indicated great interest in allowing residents to take advantage of emPower offerings, which would be administered centrally by Santa Barbara County with CEC and PUC funds.

Santa Barbara County is being offered funding because it has a previously ARRA funded program that offers financing through credit union partners that also happen to serve the entire boundaries of San Luis Obispo and Ventura Counties. These are specific conditions of the funding sources, meaning Ventura and San Luis Obispo have no other means by which to fund these services in the foreseeable future. The State recognizes that a Tri-County approach maximizes current programmatic and marketing infrastructure (i.e. standardized agreements, processes, workflows, branding, advertising, etc) while minimizing programmatic redundancies and community confusion. In effect, Santa Barbara County controls whether the two jurisdictions will have access to energy services or not.

In addition to serving a greater number of residents, the Tri-County approach benefits current emPower efforts in Santa Barbara County. By increasing the pool of potential applicants, emPower will attract a greater level of demand for services, which will help to strengthen the growing building performance market. emPower's effective marketing, education and outreach methods are well positioned to serve shared media and consumer markets that naturally exist in the Tri-County. By keeping branding, messaging and processes consistent and tied to one program pipeline, a Tri-County program helps to eliminate confusion in the marketplace for customers who are looking for streamlined services.

In addition, more consumer demand will help achieve emPower's job creation goals by bringing more work to participating contractors that live, work and spend in the County. In fact, the larger scale and greater longevity of the program is likely to motivate a greater number of local building professionals to become trained and enrolled to participate in the program, which will increase the broader and lasting impacts on local construction practices.

Finally, this approach positions emPower to continue to attract funding to continue services far beyond 2014. In fact, a new construct has recently been established and is gaining momentum, called a Regional Energy Network (REN). RENs have been developed by LA County to serve Southern California, and by several Bay Area governments, and have received nearly \$100 million from the PUC in the 2013-2014 funding cycle. It appears unlikely that funds will continue to be provided on a County scale, meaning that funds could get invested elsewhere leaving Santa Barbara County residents underserved. The Tri-County is already seen as a natural region in the State for effective energy efficiency service delivery, and emPower is in perfect position to help pilot this strategic collaboration.

Relationship with Ventura and San Luis Obispo Counties

In several meetings with the staff at both Ventura and San Luis Obispo counties, it was clear that the best approach to initiating a Tri-County program would be to keep the mechanics as simple as possible. It was suggested that Santa Barbara County centrally administer the program because the funding was specifically and exclusively offered to Santa Barbara County, and Santa Barbara County already operates a live energy efficiency financing agreement with credit unions that serve the entire region.

As described in the budget section on page 23, staff proposes that Santa Barbara County accept the funds to continue operating emPower and to expand and oversee the financing and general marketing and workforce development programs. Santa Barbara County would also pass through funds to both Ventura and San Luis Obispo via subagreement to support localized program delivery, including limited staffing and other operating costs associated with localized customer service, contractor recruitment and outreach for residents in each respective County. Ventura and San Luis Obispo Counties would seek reimbursement for expenses incurred from Santa Barbara County, who would collect and manage all grant reporting and draws from funding agencies on behalf of the Tri-County. Santa Barbara County would also manage the brand and facilitate training of staff hired by Ventura and San Luis Obispo County, as well as general oversight over Tri-County activities.

emPower 3.0 Staffing

In order to achieve programmatic goals associated with delivering a regional program, it is estimated that emPowerSBC will need to fund an additional position already allocated to the program. As shown in Table 6, the program manager will oversee all aspects of the program, and an administrative leader and two business specialists will help execute program grant administration and reporting, marketing, outreach, customer service, project processing oversight, workforce development, as well as data monitoring and funding award compliance requirements.

Table 6. emPower 3.0 staffing costs

Funded Positions	Estimated Annual Cost
Program Manager	\$ 148,770
Administrative Leader	\$ 140,960
Business Specialist II	\$ 140,960
Business Specialist I	\$ 91,000
Total Program Staff	\$ 521,690
Staff in Other Departments	\$ 100,000
Total County Staff	\$ 621,690

emPower 3.0 Program Budget

New program funding sources offered to the County from the CEC and the PUC via Southern California Gas Company (So Cal Gas) to expand and continue emPower through the end of 2014 are outlined below.

Table 7: emPower 3.0 Awards

New emPower Funding for Tri-County	Offered
ARRA CEC #2	\$1,550,000
So Cal Gas 2013-14	\$3,700,000
Total Grant Funding	\$5,250,000
General Fund	-
Total EmPower Funding	\$ 5,250,000

Program spending through the next several fiscal years is estimated below.

Table 8: New award funding breakdown

New Funding Spending Breakdown	2012-2013	2013-2014	2014-2015
Salaries and Benefits	\$47,800	\$622,000	\$311,000
Operations, Workforce and Marketing	\$71,500	\$660,000	\$379,700
Total Program Spending	\$119,300	\$1,282,000	\$690,700
Pass Through to Other Counties	\$0	\$828,000	\$330,000
Loan Loss Reserve	\$0	\$1,600,000	\$400,000

* Loan loss reserve funding provided in the PUC agreement will not be recorded as revenue.

**FY 2014-15 includes a partial year of funding

This budget does not reflect significant increases in overall direct program spending as compared to previous years, but does include budget for a fourth position. Approximately \$275,000 per calendar year is expected to be passed through to both Ventura and San Luis Obispo (via separate agreements) to support localized program delivery, including limited staffing and other operating costs associated with localized customer service, contractor recruitment and homeowner outreach.

The new funding contracts make a maximum of \$2 million in additional loan loss reserve dollars available to support emPower loans throughout the Tri-County. These funds would allow the County to augment its current loan loss reserve program and establish segregated loan loss reserve funds with lending partners for both San Luis Obispo and Ventura County. Assuming the same leverage ratio achieved in emPower's current lending agreement (20:1), it is expected that \$8 million in private capital would be available initially in each of the two counties to support single family residential emPower Home Upgrade Loans. Other loan loss reserve dollars may allow emPower to explore developing other loan products, such as secured loan or an unsecured loan for multi-family projects.

Because proposed funding contracts are budgeted through December of 2014, spending for that fiscal year is only shown for half a year. It is anticipated that additional funding sources may become available prior to December 2014, which could allow program to continue.

Implementation Steps

If the Board authorizes acceptance of the two funding awards described in this Section at the June 25 hearing, staff will then work on the following steps to fully implement the scopes of work associated with the funding awards:

- Continue emPower services in Santa Barbara County, including outreach, customer service, contractor training, recruitment and support, and Energy Coach services.
- Bring on an additional position to support the emPower program
- Develop Memorandums of Understanding for Board consideration to pass through funds to both Ventura County and San Luis Obispo County that includes defined scope of work, reporting, invoicing and communication protocols.
- Return to the Board to seek authorization to execute MOUs with Ventura and San Luis Obispo Counties
- Work with County project team and CoastHills Federal Credit Union to amend the current Loan Loss Reserve Agreement to allow funds from other sources to be utilized to support residential emPower loans, and to broaden the service boundary to include Ventura and San Luis Obispo Counties. The amended agreement would be subject to Board approval.
- Train staff at Ventura and San Luis Obispo County on program application processes and protocols related to customer service, outreach, and contractor engagement.
- Update internal policies and processes for managing invoicing, accounting and reporting.
- Apply minor modifications to emPower brand and marketing materials to communicate broader service boundary.

Expected Outcomes for emPower 3.0

emPower 3.0 expects to generate and track the following measurable outcomes during the funding period associated with the PUC and CEC contracts (through December 2014).

- Attract 4,000 interested individuals to actively engage with a broad range of program services, education and assistance.
- Lead to home energy work (projects and/or assessments) in approximately 500 homes resulting in:
 - \$5 million in project activity for participating contractors
 - Generating \$10.4 million in economic impact
 - \$2 million in loan applications for participating lenders
 - Average of 20% energy savings for completed projects
- Enroll 10 additional participating contracting companies
- Provide workforce trainings for 200 attendees from the regional building trades
- Along with project generated economic impact, local spending of grant dollars on program delivery is estimated to generate an additional \$10 million in economic impact.
- Monitor policy and funding environment and pursue new sources of funding for Board consideration for ongoing program operations after 2014.

Beyond the funding period, these funds will have lasting impacts, given that loan loss reserve can support millions of dollars in capital that will be available to continue offering emPower Home Upgrade Loans for many years.

Conclusion and Recommendation

Despite initial challenges, emPower has generated early but important outcomes for the community. From beginning to transform the local contracting workforce and creating jobs, to providing services to nearly 3000 local residents, over 200 of which have taken action to assess and upgrade their home's energy efficiency, Santa Barbara County has made significant headway in stimulating the local home performance market and reducing local energy use. By undertaking program activities to drive demand for energy improvements, emPower has learned key lessons in its first 18 months of service that can be applied to the next phase, emPower 3.0. For example, while financing and rebates are important drivers, emPower has evolved to fill a broader set of community needs, including providing widespread energy efficiency education, connecting residents with qualified contractors, matching low income and underserved markets with available services and delivering other wrap around services that meet the varied needs of all those residing in our County. A Tri-County emPower program will allow us to continue our activities locally and expand these valuable services to our neighboring counties while also better positioning emPower to take advantage of future opportunities becoming available primarily for regional scale programs.

To continue building upon lessons learned, staff recommend accepting funding contracts with the PUC and CEC to allow emPower to continue to provide program services to meet community needs. This will allow the program more time to build consumer awareness across the region and support continued transformation of the region's building performance market.